NEWS

RSA

IMMEDIATE **8 November 2012**

RSA Insurance Group PLC
Interim Management Statement

Premium growth[1] in nine months to September 2012 of 4%.
Confirming guidance of combined operating ratio of better than 96% and investment income of around £500m for 2012.

- Net written premium of £6.2bn representing growth of 4%[1]
  - Scandinavia up 2%[1] to £1,403m
  - Canada up 6%[1] to £1,179m
  - UK & Western Europe flat[1] at £2,728m
  - Emerging Markets up 15%[1] to £887m
- IGD surplus remains strong at £1.2bn; coverage remains at 1.9 times. Economic capital surplus of £0.3bn
- Net asset value (excluding IAS 19 pension deficit) up 1% to 105p per share

Simon Lee, Group CEO of RSA, commented:

"Our business continues to make progress despite ongoing economic and market uncertainty. Our unique geographic footprint gives us exposure to some of the most attractive insurance markets in the world. In many of these territories, we have achieved a leading market position which enables economies of scale and distribution strength. In other markets, we have opportunities to grow both organically and through selective bolt-on acquisitions. Furthermore, all of our businesses benefit from being part of a leading global insurer, which provides them with competitive advantage over local operators.

"In the first nine months of 2012, 4% growth[1] in net written premiums result from determined rating action, strong customer retention across all businesses and good new business volumes, together with the impact of repositioning activity in the UK and Italy. Growth has been led by Emerging Markets, which has again been driven by a robust performance in Latin America. We have also seen good performances in Personal lines in Canada and Scandinavia. The UK market remains challenging but we have delivered growth across all business lines except Motor. The integration of recent acquisitions in Canada and Argentina is progressing well.

"Our expectations for the full year remain unchanged. We continue to expect to deliver good premium growth on a constant exchange rate basis, a combined operating ratio of better than 96% and investment income of around £500m in 2012."

[1]All growth at constant exchange rates

Net Written Premiums

	9 Months 2012	9 Months 2011	Movement as reported	Movement at constant exchange
	£m	£m	%	%
Scandinavia	**1,403**	1,439	(3)	2
Canada	**1,179**	1,108	6	6
UK & Western Europe	**2,728**	2,763	(1)	-
Emerging Markets	**887**	800	11	15
Group Re	**16**	22	(27)	(27)
Total Group	**6,213**	6,132	1	4

The Group has continued to grow with net written premiums up by 4% at constant exchange. Growth in Emerging Markets, Scandinavia and Canada more than offset actively managed reductions in UK Personal Motor and Italy. Across the Group, we continue to focus on Specialty lines, with premiums up by 6% at constant exchange to £1,029m driven by Canada and the UK.

Shareholders' Funds

	Shareholders' funds ex. IAS 19	**Pension deficit**	**Shareholders' funds**	**Shareholders' funds ex. IAS 19**	**Shareholders' funds**
	£m	**£m**	**£m**	**per share**	**per share**
30 June 2012	3,801	(71)	3,730	104p	102p
30 September 2012	**3,842**	**(150)**	**3,692**	**105p**	**101p**

During the third quarter of 2012, shareholders' funds excluding the pension scheme deficit increased by 1% to £3,842m reflecting profits generated in the period and fair value gains partly offset by the interim dividend accrual.

The deficit on the pension schemes as at 30 September 2012 is £150m compared with £71m at 30 June 2012. The movement primarily reflects return on assets, the reduction in the discount rate for liabilities by 30bps to reflect the reduction in bond yields seen over the period and a 16bps fall in the assumed pension inflation rate.

Shareholders' funds including the pension scheme deficit were £3,692m, a decrease of 1% over the quarter.

Scandinavia: Another solid quarter, net written premiums up 2%

RSA is the third largest P&C insurer in Sweden and Denmark with a growing presence in Norway. In all three countries we offer a range of products across Personal and Commercial lines with particular strengths in Swedish Personal Accident, Swedish Personal Motor and Danish Renewable Energy.

Net Written Premiums (£m)	**9 Months 2012**	9 Months 2011	Movement as reported	Movement at constant exchange
	£m	£m	%	%
Personal				
Household	**228**	238	(4)	1
Motor	**313**	315	(1)	4
Other	**208**	202	3	7
Total Personal	**749**	755	(1)	4
Commercial				
Property	**235**	263	(11)	(6)
Liability	**102**	105	(3)	4
Motor	**175**	182	(4)	1
Other	**142**	134	6	11
Total Commercial	**654**	684	(4)	1
Total Scandinavia	**1,403**	1,439	(3)	2

Rate Increases	**Personal**		**Commercial**		
Scandinavia	**Motor**	**Household**	**Motor**	**Liability**	**Property**
	%	**%**	**%**	**%**	**%**
Sept 12 vs Sept 11[1]	2	12	4	-	6
Sept 11 vs Sept 10[2]	2	7	5	4	3

In the first nine months of 2012, Scandinavia delivered net written premium growth of 2% at constant exchange to £1,403m.

Personal lines premiums of £749m were up by 4% at constant exchange, with growth in all countries driven by strong new business flows, retention and continued rating action. In Sweden, premiums were up 4% driven by another strong performance in Personal Accident and, in Norway, growth of 16% was driven by the success of our distribution partnership with the Norwegian Automobile Federation (NAF). In Denmark, premiums were flat at constant exchange with strong rate impacting retention as we take action to improve profitability.

In Commercial lines, premiums of £654m were up 1% at constant exchange rates with good growth in Sweden, particularly in Marine, and Norway. This growth was offset by continued weakness in the Danish Commercial market, notably in Construction & Engineering where we continue to see delays in construction projects due to continuing challenging economic conditions. We expect these large contracts to re-commence in 2013 but the timing of when they will be written is unpredictable.

[1]Rating increases reflect rate movements achieved for risks renewing in September 2012 versus comparable risks renewing in September 2011 and; [2]rate movements achieved for risks renewing in September 2011 versus comparable risks renewing in September 2010

Canada – Premiums up 6% with growth across all sectors. UC acquisition on track.

RSA is the third largest P&C insurer in Canada, comprising a leading Personal and Commercial broker business and Johnson, our direct business.

Net Written Premiums (£m)	**9 Months 2012**	9 Months 2011	Movement as reported	Movement at constant Exchange
	£m	£m	%	%
Personal				
Household	**282**	257	10	10
Motor	**520**	506	3	3
Total Personal	**802**	763	5	5
Commercial				
Property	**162**	148	9	9
Liability	**102**	92	11	11
Motor	**72**	67	7	7
Other	**41**	38	8	8
Total Commercial	**377**	345	9	9
Total Canada	**1,179**	1,108	6	6

Rate Increases - Canada	**Personal**		**Commercial**		
	Motor	**Household**	**Motor**	**Liability**	**Property**
	%	**%**	**%**	**%**	**%**
Sept 12 vs Sept 11[1]	2	12	-	1	3
Sept 11 vs Sept 10[2]	4	11	3	1	2

Canada has delivered good growth, with premiums of £1,179m up by 6% at constant exchange, led by rate increases and growth in new business volumes. Retention remains strong.

In Personal, premiums of £802m were up by 5% with a strong performance from Personal Broker. Growth was driven by Household (up by 10%) while in Personal Motor, the Ontario Auto Reforms have led to a reduction in rating activity, which has slowed premium growth to 3%. Johnson continued to deliver good growth, with premiums up by 6% due to a combination of retention, rate and new business.

Commercial lines net written premiums of £377m are up by 9%. Growth is driven by our Large Commercial and Specialty lines business, where we are benefitting from the acquisition in 2010 of GCAN with strong new business across the energy, utility and financial services sectors.

Our acquisition of L'Union Canadienne (UC) completed on 1 October. UC will give RSA improved penetration in the attractive Quebec market. UC is the third largest intermediated Motor and Property insurer in Quebec and has historically written c.70% of its business in Personal lines and c.30% in Commercial lines. In 2011 net written premiums were around £170m. Integration plans are on track and RSA's full year results will include three months' trading from this acquisition.

[1]Rating increases reflect rate movements achieved for risks renewing in September 2012 versus comparable risks renewing in September 2011 and; [2]rate movements achieved for risks renewing in September 2011 versus comparable risks renewing in September 2010

UK and Western Europe – Premiums flat as we continue to refocus the business

Net Written Premiums (£m)	9 Months 2012 £m	9 Months 2011 £m	Movement as reported %	Movement at constant exchange %
UK	**2,213**	2,203	-	-
Western Europe	**515**	560	(8)	(2)
Total UK & Western Europe	**2,728**	2,763	(1)	-

UK and Western Europe premiums were flat on 2011 as we continue to deliver on our strategy to refocus the business, reduce exposure to less attractive segments and continue to grow in areas where we believe we can deliver shareholder value.

UK – Continuing portfolio management; growth in attractive markets, reduction in less attractive segments

In the UK we are a leading Commercial insurer and a top five Personal lines insurer. In Commercial we offer a full suite of products across Property, Liability, Motor and Marine and distribute predominantly through insurance brokers. In Personal we provide Household, Motor and Pet insurance through insurance brokers and affinity partners as well as MORE TH>N and eChoice, our direct businesses.

Net Written Premiums (£m)	9 Months 2012 £m	9 Months 2011 £m	Movement as reported %	Movement at constant exchange %
Personal				
Household	**497**	479	4	4
Motor	**326**	404	(19)	(19)
Pet	**179**	153	17	17
Total Personal	**1,002**	1,036	(3)	(3)
Commercial				
Property	**358**	324	10	10
Liability	**201**	200	1	1
Motor	**416**	424	(2)	(2)
Marine	**236**	219	8	8
Total Commercial	**1,211**	1,167	4	4
Total UK	**2,213**	2,203	-	-

Rate Increases - UK	**Personal**		**Commercial**		
	Motor %	**Household %**	**Motor %**	**Liability %**	**Property %**
Sept 12 vs Sept 11[1]	1	4	9	4	4
Sept 11 vs Sept 10[2]	19	6	14	2	5

In UK Personal, premiums are down by 3% to £1,002m, with growth across all business lines except Motor. Growth of 4% in Household, and 17% in Pet were offset by a reduction of 19% in Motor, where we have continued to push rate and actively reduce volumes in less attractive sectors. Household growth is driven by last year's acquisition of Oak Underwriting, our distribution deal with OIM Underwriting, good growth in Personal Broker and continued positive momentum with affinity partners.

[1]Rating increases reflect rate movements achieved for risks renewing in September 2012 versus comparable risks renewing in September 2011 and; [2]rate movements achieved for risks renewing in September 2011 versus comparable risks renewing in September 2010

Across UK Commercial lines, premiums of £1,211m are up by 4%. We continue to focus on Specialty lines, with Marine up by 8% to £236m and good growth in UK Risk Managed and the SME sector. Commercial Motor is down by 2% to £416m due to continued management action to exit from unprofitable schemes.

Western Europe – Good growth in Ireland; progress in Italian remediation

In Western Europe we have three businesses. European Specialty Lines offers a range of specialist Commercial insurance to pan-European clients. In Ireland we have a Commercial and Personal broker business as well as a leading direct insurer, 123.ie. In Italy we are predominantly a Motor player operating mainly in the north of Italy.

Net Written Premiums (£m)	**9 Months 2012 £m**	9 Months 2011 £m	Movement as reported %	Movement at constant exchange %
European Specialty lines	**119**	115	3	11
Ireland	**265**	270	(2)	5
Italy	**131**	175	(25)	(20)
Total Western Europe	**515**	560	(8)	(2)

In Western Europe, European Specialty is up by 11% to £119m with good growth in Power & Engineering. In Ireland, premiums grew by 5% to £265m, driven by continued strong growth in 123.ie where premiums were up 19%. Italian net written premiums of £131m are down by 20% at constant exchange as we continue to take action to return the business to profitability.

Emerging Markets – Continued strong growth

Our Emerging Markets division operates in 21 countries across Latin America, Asia, the Middle East and Central and Eastern Europe.

In Latin America we are the number one P&C insurer in Chile, number one private P&C insurer in Uruguay and a top five provider in Argentina. In addition we have a leading Marine business in Brazil as well as smaller businesses in Colombia and Mexico.

In Asia and the Middle East, RSA has a strong Specialty business with exposure across the region. In addition we have retail businesses in China, Singapore and Hong Kong and minority stakes in businesses in India and Thailand. In the Middle East, we are the number one insurer in Oman and have businesses in UAE, Bahrain and Saudi Arabia.

In Central and Eastern Europe we are the market leading insurer across the Baltic states with number one positions in Latvia and Lithuania and number four position in Estonia. In addition we have direct businesses in Poland and Russia.

Net Written Premiums (£m)	**9 Months 2012 £m**	9 Months 2011 £m	Movement as reported %	Movement at constant exchange %
Latin America	**529**	468	13	18
Asia & Middle East	**189**	169	12	10
Central & Eastern Europe	**169**	163	4	13
Total Emerging Markets	**887**	800	11	15
Associates	225	217	4	12
Total Emerging Markets incl Associates	**1,112**	1,017	9	15

Emerging Markets again delivered excellent growth with net written premiums of £887m up by 15% at constant exchange. Total premiums, including our associates in India and Thailand, are £1,112m representing growth of 15% at constant exchange.

In Latin America, premiums of £529m were up by 18% and include strong double digit growth in Chile, Argentina, Mexico and Uruguay. Included in these numbers is £17m relating to the acquisition of El Comercio and ACG in Argentina which completed on 31 July 2012.

We have also seen strong growth in Asia and the Middle East, with premiums of £189m up by 10% led by Specialty (up 27%) and our retail operations in Singapore and Oman. Our associates delivered excellent growth, with premiums of £225m (up 12%) driven primarily by Motor.

In Central and Eastern Europe, premiums are up by 13% to £169m. We have maintained our leading position across the Baltics with premiums up by 13% to £104m. Our Direct businesses in Poland and Russia grew by 18%, generating premiums of £59m.

Investment Portfolio

The investment portfolio totalled £14.3bn at 30 September 2012, representing an increase of 2% on the position at 30 June 2012 due to mark to market increases of £119m and net inflows of £142m.

	Value 30 Jun 2012 £m	Foreign Exchange £m	Mark to Market £m	Other Movements £m	**Value 30 Sep 2012 £m**
Government Bonds	**4,340**	10	19	(118)	**4,251**
Non Government Bonds	**6,897**	5	85	261	**7,248**
Cash	**1,376**	(12)	-	95	**1,459**
Equities	**683**	4	19	(99)	**607**
Property	**350**	-	(7)	3	**346**
Prefs & CIVs	**319**	-	3	(9)	**313**
Other	**102**	(1)	-	9	**110**
Total	**14,067**	**6**	**119**	**142**	**14,334**

At 30 September 2012, unrealised gains in the statement of financial position were £733m (30 June 2012: £611m).

Our high quality, low risk strategy is unchanged. Of the total investment portfolio, 90% remains invested in high quality fixed income and cash assets. The fixed interest portfolio is concentrated on high quality short dated assets, with 98% of the bond portfolio investment grade, and 71% rated AA or above. The bond holdings are well diversified, with 75% invested in currencies other than Sterling and 63% invested in non government bonds (31 December 2011: 60%).

The government bond portfolio of £4.3bn is high quality, with 79% rated AAA and 91% rated A or above. The non government bond portfolio of £7.2bn comprises £1.9bn of Scandinavian Mortgage Bonds, £3.4bn of other financials and £1.9bn of non financials.

On peripheral Europe, our exposure to government bonds in Greece, Italy, Ireland, Spain and Portugal remains limited at £139m or around 1% of the total portfolio with the majority held to back the liabilities of our European insurance operations, with £74m in Ireland and £51m in Italy.

The average duration across the portfolio has increased to 3.8 years (31 December 2011: 3.4 years) as we have continued to seek yield improvement and improve asset and liability matching.

The foreign exchange movement primarily reflects the movement of Sterling against the Danish Krone, Canadian Dollar and the Euro in the third quarter.

Looking forward, we will continue to follow our high quality, low risk strategy. Within this we see the potential for a further modest increase in high quality non government securities. We will also continue to take advantage of opportunities to modestly increase our holdings in longer dated securities.

Investment conditions remain challenging, with yields still at historically low levels. However, our guidance is unchanged and we continue to expect investment income to be around £500m for the full year 2012.

Capital

Insurance Groups Directive	Requirement £bn	Surplus £bn	Cover
30 June 2012	1.3	1.2	1.9x
30 September 2012	**1.3**	**1.2**	**1.9x**

The Group continues to maintain strong capital positions. At 30 September 2012, the IGD surplus was unchanged from the half year at £1.2bn and coverage was unchanged at 1.9 times the requirement. A 30% fall in the FTSE from current levels of around 5,800 would reduce the IGD surplus by an estimated £0.2bn.

The economic capital surplus was £0.3bn with the movement since the half year reflecting underlying profits offset by the declaration of the 2012 interim dividend and the impact of a further fall in bond yields, including lower spreads on corporate bonds. Economic capital is our own assessment of capital given the Group's risk profile. Our model is calibrated to a risk tolerance consistent with Standard & Poor's long term A rated bond default curve, equivalent to a probability of solvency over one year of 99.92% or a probability of insolvency over one year of 1 in 1,250. This compares with the 1 in 200 calibration under the FSA's ICA regime. Solvency II will also be calibrated to a probability of insolvency over one year of 1 in 200. Calibrating our economic capital model to a 1 in 200 probability per annum of insolvency would increase our economic capital surplus by approximately £0.4bn.

Foreign Exchange Rates

Foreign exchange rates used to translate the 2012 and 2011 consolidated results included in this statement are as follows:

Local currency/£	Average		Closing		
	9 Months 2012	9 Months 2011	**30 September 2012**	30 June 2012	31 December 2011
Canadian Dollar	**1.58**	1.58	**1.59**	1.60	1.58
Danish Krone	**9.16**	8.56	**9.36**	9.19	8.90
Swedish Krona	**10.75**	10.35	**10.59**	10.83	10.65
Euro	**1.23**	1.15	**1.26**	1.24	1.20

2012 Outlook

Our guidance for 2012 year end results remains unchanged and we continue to expect to deliver good premium growth on a constant exchange rate basis, a combined operating ratio of better than 96% and investment income of around £500m for the full year 2012.

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Conference Call

A conference call for analysts and investors will be held at 11.30am on Thursday 8 November to discuss the Q3 Interim Management Statement. Participants should call 0800 358 5271 from the UK or +44 (0)20 8515 2301 from elsewhere quoting reference "RSA Q3 Interim Management Statement". Scanning the QR code opposite will download details of the conference call to a smart phone.

About RSA

With a 300 year heritage, RSA is one of the world's leading multinational quoted insurance groups. RSA has major operations in the UK, Scandinavia, Canada, Ireland, Asia and the Middle East, Latin America and Central and Eastern Europe and has the capability to write business in around 140 countries. Focusing on general insurance, RSA has around 23,000 employees and, in 2011, its net written premiums were £8.1 billion.

Important disclaimer

This press release and the associated conference call may contain 'forward-looking statements' with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition, performance, results, strategic initiatives and objectives. Generally, words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "aim", "outlook", "believe", "plan", "seek", "continue" or similar expressions identify forward-looking statements. These forward-looking statements are not guarantees of future performance. By their nature, all forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to future events and circumstances which are beyond the Group's control, including amongst other things, UK domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation or regulations in the jurisdictions in which the Group and its affiliates operate. As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the Group's forward-looking statements. Forward-looking statements in this press release are current only as of the date on which such statements are made. The Group undertakes no obligation to update any forward-looking statements, save in respect of any requirement under applicable law or regulation. Nothing in this press release shall be construed as a profit forecast.